

Paula L. Brown
Region President
Northern New England



185 Franklin St., Room 1800
Boston, MA 02110

Phone 617 743-2011
Fax 617 743-8886
paula.l.brown@verizon.com

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Robert G. Schoenberger
Unitil
6 Liberty Lane West
Hampton, NH 03842-1720

Dear Bob,

As a follow-up to our meeting in August, I promised to send you some data on three areas of concern, namely, tree-trimming, placement of poles in new construction and pole inspections. We have been told repeatedly that, in Unitil's view, our operations and application of the IOP have changed since we entered the agreement in 1996. The discussion to date, however, has often relied on anecdotal evidence and, as I indicated, some facts might help both companies move forward. I have, therefore, looked at these issues over a period of time to see if the concern that Unitil has expressed in our discussion over the past year is consistent with the data.

The following is what I have found:

Tree Trimming

We pulled all of the bills that we received from Asplundh and Unitil for tree trimming since 1999 and the amounts that we have paid based upon the billing associated with maintenance trim. What we found was:

	Billed by Asplundh	Amount Paid
1999	\$ 6075	\$ 6075
2000	0	0
2001	\$ 7085	\$ 7085
2002	\$ 6661	\$ 6661
2003	0	0
2004	\$132,000 (billed by Unitil)	
2005	\$ 33,600 (year to date billed by Unitil - Capital)	
2005	\$ 31,450 (year to date billed by Unitil - Seacoast)	

Total billed to date in 2005 - \$65,050

While we wanted to review what the billing looked like between our companies prior to 1996, we determined that the data would be extremely difficult to extract. As a result, we looked at the tree trimming expenses for the entire State of New Hampshire from 1995 through 2004. We found that the billing varied from a low of \$75K to a high of \$190K, and that the average billing was approximately \$95K for the entire state.

The data is consistent with Unitil's position that something has changed. When we look at the Unitil billing for tree trimming in 2004, we see a dramatic increase. During the meeting, Unitil indicated that it had used dollars that it received in a 2004 rate case to fund tree trimming that it had not done for a few years. However, it appears that you have done more than reinstitute funding. It appears that you have dramatically changed what you do or what is included in tree trimming.

In 1999, 2001 and 2002, the billing to Verizon from Asplundh in the Unitil serving area was about \$7K (or less) each year billed, which represented about 25% of the mutually agreed upon tree trimming expense. The work was reviewed prior to the work commencing by both companies and, therefore, there was never a dispute about the billing. Verizon could pay the 25% because it had authorized the work. Verizon was also in agreement as to what constituted appropriate tree trimming. However, in 2004 you submitted bills amounting to over \$132K and, contrary to the IOP, submitted a map and told us that we would be billed with or without our agreement. Given the significant difference in billing, and the deviation from the IOP agreement, Unitil should reasonably explain what tree trimming practices have changed and why Verizon should agree to the change in the context of the existing IOP. Billing that has increased by almost 19 times previous billing seems out of line. Even if we consider inflation and the fact that you did not do tree trimming for a year, this change is extraordinary. In fact, the 2004 tree trimming bill submitted by Unitil exceeds the average tree trimming bills from 1995 to 2004 for the entire state.

When we met, we had hoped to have a decision for you on billing of the 2004 and 2005 tree trimming bills that Unitil submitted. However, given the large differences we discovered as we looked at the historic data, an explanation is needed before we can determine what payment will be made.

Placement of Poles for New Construction

We have reviewed our policy for placement of poles for new construction and find that in NH we do accept new pole placement with or without an order for service in new developments. If there is a request for a new pole on private property for a single new home, we wait for a service order. I was also advised that only a few orders for poles have in fact been turned back. While I have not yet been able to confirm that representation, I was able to obtain data that shows overall the number of shared poles set by both companies. When we look at the number of poles placed overall in the NH

service area, we find that we are setting our fair share of poles year after year. The following data provides the number and percentages of poles set from 1991 through year to date 2005 in the Unitil/Verizon serving area:

Year	Total Poles	VZ Set	Unitil Set	% Set by VZ	% Set by Unitil
2005*	223	157	66	70%	30%
2004	626	256	370	41%	59%
2003	620	400	220	65%	35%
2002	645	372	273	58%	42%
2001	733	405	328	55%	45%
2000	831	495	336	60%	40%
1999	2239	1187	1052	53%	47%
1998	452	296	156	65%	35%
1997	494	265	229	54%	46%
1996	394	181	213	46%	54%
1995	436	230	206	53%	47%
1994	473	224	249	47%	53%
1993	460	263	197	57%	43%
1992	539	336	203	62%	38%
1991	476	231	245	49%	51%

* year 2005 values are based on data up to 08.30.05

As the data shows, even if on occasion we decline a pole set for new construction because we have not received a request for service, these rejections have not caused the number of poles that we set to fall below our fair share of pole sets. In fact, if we are 46% and Unitil is 54% owners, respectively, we seem to have exceeded our share in many years. The concern that we are not setting our reasonable share of poles does not seem to be supported by the data that we found.

Poles Inspections

The last area of concern is our pole inspections. It has been Verizon's practice for many years to have our installers and repair people inspect a pole before they climb. That was our policy prior to 1996 and remains our policy. Nothing in the 1996 agreement changed that policy. We would also note that over the next few years, we will be inspecting all of the poles as part of our network rebuild.

As we indicated at the meeting in August, we remain open to re-visiting all or part

of the IOP. I hope, however, that the facts that are included in this letter will help move us in a constructive dialogue on whatever path is chosen.

Sincerely,

A handwritten signature in cursive script that reads "Polly Brown". The signature is fluid and elegant, with a long, sweeping underline.

Polly Brown

Regional President – Northern New England

cc. Mark Collin

Thomas P. Meissner